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SUBJECT: MAURITANIA: 2009 INTERNATIONAL NARCOTICS CONTROL STRATEGY
REPORT (INSCR) MONEY LAUNDERING AND FINANCIAL CRIMES

REF: STATE 114960

¶1. The Islamic Republic of Mauritania is a small, under-developed economy and is not a regional financial center. Its economic system suffers from a combination of weak Central Bank oversight, lax financial auditing standards, porous borders, and corruption in government and the private sector. The GIRM made some improvements in 2008 by strengthening the Central Bank's financial management system and making it more transparent by restructuring the foreign exchange system, and improving oversight of commercial banks. However, the political instability that followed the August 6, 2008 coup d'etat has made the country more vulnerable to money laundering and informal and illegal economic activity.

¶2. Following internationally recognized elections in July 2009, a new government was formed, which has placed fighting corruption and terrorism at the top of its agenda. While public pronouncements about the government's political will to fight corruption have been positive, the government has yet to issue a comprehensive strategy to address systemic corruption.

¶3. Mauritania is a transit country for a variety of smuggled goods, including cigarettes, diverted food aid, small arms, clandestine immigrants, vehicles, and narcotics. Cocaine is the most commonly smuggled drug. Mauritania is a transit country for South American cocaine destined for Europe. A second transit route is for hashish and hashish resin that originates in Morocco and crosses Mauritania towards the Sahel.

¶4. Terrorism financing and narcotics proceeds are believed to constitute a small but growing portion of the sums laundered in Mauritania. There are no reliable figures on the actual volume of narcotics trafficked through Mauritania. The reported price of a kilogram of cocaine trafficked through Mauritania rose by 50 percent from 2008-2009 from 12,000 to 18,000 Euros. The Mauritanian government has expressed fears that terrorist networks, including Al Qaeda of the Islamic Maghreb (AQIM) and Tuareg rebels in the north of Mali exploit the drug trafficking networks and smuggling routes to finance their activities.

¶5. Kidnapping of foreign citizens in Mauritania by AQIM who are held for ransom in exchange for large sums of money is on the rise in Mauritania. Most recently in a presumed terrorist act, three Spanish citizens were kidnapped on November 29, 2009 and on December 19, 2009, two Italian citizens were presumed to have been kidnapped. These citizens continue to be held and press reports indicate that ransoms, as much as USD 7 million, have been demanded for their release. Revenue from such kidnappings is assumed to financially support the activities of AQIM and other groups sympathetic to their cause.

¶6. Government officials acknowledge that money laundering occurs in

Mauritania, but most involves profits from graft and small-scale illicit activity. The GIRM worked with international donors, including the United States, until the coup d'etat in 2008 to train prosecutors, magistrates, and police on combating money laundering. However, weak oversight and public corruption allows the money laundering to continue. The black market in Mauritania is limited primarily to stolen vehicles from Europe, but also exists to a much lesser extent for small arms and other smuggled goods. Contraband smuggling generates modest funds that are laundered through the banking system.

¶7. Money laundering occurs on a small scale within local banks and in the non-bank financial system through illegal exchange houses. Mauritania is experiencing an increase in financial crimes, particularly since it began oil production in 2006. In the absence of a stable government during the past two years, it is difficult to obtain figures on money laundering in the banking system. Transparency International ranked Mauritania 130 of 180 countries in its 2009 Corruption Perception Index.

¶8. In the fall of 2009, a major economic story has been the government's investigation and prosecution of corruption in the banking sector. President Aziz embarked upon an ambitious, if not controversial, program to identify and punish those guilty of financial crimes. The current anti-corruption push began in November 2009 when the Bureau of Economic Crimes arrested the former governor of the Central Bank for alleged economic crimes committed between 2000-2001. His arrest was quickly followed by the arrest of the former deputy governor of the Central Bank and the launch of an investigation into the business practices of 12 other prominent businessmen and bankers. The individuals were questioned about their involvement with illegal transfers made through their banks

NOUAKCHOTT 00000016 002.2 OF 004

and businesses during the period of 2000-2001. The former Central Bank governor is accused of laundering approximately USD 95 million over the course of two years, the equivalent of nearly 10 percent of Mauritania's 2010 budget. This occurred in 2000-2001 and the individuals have not been accused of laundering money for narcotic or terrorist networks. This most recent investigation highlights the degree to which corruption in both the public and private sectors allows money laundering to occur. These investigations are controversial as opposition figures claim the investigations are being used less the reduce corruption in Mauritania, but rather to settle political scores.

¶9. To post's knowledge, the country's financial institutions do not engage in currency transactions involving international narcotics trafficking proceeds that include significant amounts of United States currency or currency derived from illegal drug sales in the United States.

¶10. Mauritania is not an offshore financial center. Offshore banks, international business companies, or other forms of exempt or shell companies or trusts are not permitted. There are no free trade zones in Mauritania, although the Government of Mauritania (GIRM) does grant tax relief to certain small-scale export sectors of the economy.

¶11. Money laundering is a criminal offense in Mauritania. The 1992 law governing money laundering focuses specifically on laundering from narcotics-trafficking. The GIRM drafted a new body of laws in 2005 (2005-47 and 2005-48) that strengthened government control over money laundering related to terrorist groups and activities. These legal codes, adopted in 2005 were supplemented by a new law adopted by the new government in December of 2009 (2009/058), which authorized phone-tapping, email monitoring and the search of homes without the legal procedures previously required. The GIRM indicated that this law will also allow greater latitude when investigating financial crimes.

¶12. The GIRM has not enacted secrecy laws that prevent disclosure of client and ownership information by financial services companies to bank supervisors and law enforcement authorities.

¶13. The 2005 anti-money laundering law provides for the

establishment and funding of the Financial Information and Analysis Commission (FIAC), equivalent to a financial intelligence unit (FIU). The FIAC is an independent agency with a mandate to perform analytical duties as well as investigate suspicious financial transactions. The FIAC became operational in 2008, but its capacity to conduct compliance investigations has not yet been proven. Since the election of the new government in July 2009, there has been no concrete action undertaken by the FIAC and there were no cases of arrests connected to terrorist financing; but it does not mean that such cases do not exist. Because Mauritania counts a population of only 3.4 million inhabitants, of which only 3 percent possess bank accounts, much of the financial activity undertaken occurs in the informal sector.

¶14. According to the office of the public prosecutor, there were only three cases of financial crimes in 2009, which amount to no more than USD 4.4 million. These figures do not include the current investigation and prosecution of the former Central Banker and prominent businessmen as these cases are still ongoing.

¶15. The Central Bank and the FIAC, if and when fully operational, will supervise and examine financial institutions for compliance with AML/CTF laws and regulations. Banks are currently required to record and report to the Central Bank the identity of customers engaging in large-scale financial transactions. Banks and other financial institutions are required to maintain records necessary to reconstruct significant transactions through financial institutions for ten years. AML/CTF controls are applied to non-bank financial institutions such as exchange houses and to intermediaries including lawyers, accountants, and broker/dealers. The Central Bank supervises these entities for compliance.

¶16. Financial institutions may report transactions that they consider suspicious to the Central Bank. However, such reporting is done on a voluntary basis. Exchange houses are the main non-bank financial institution in Mauritania. However, most operate outside of the formal economy and do not report such transactions. Reporting individuals are protected by law with respect to their cooperation with law enforcement entities.

¶17. There are four government bodies responsible for investigating financial crimes: the FIAC, the Central Bank, the Ministry of the

NOUAKCHOTT 00000016 003 OF 004

Interior, and the state Inspector General. These bodies lack adequate staff and training.

¶18. Mauritania has enacted laws for identifying, tracing, freezing, seizing, and forfeiting narcotics-related assets as well as assets derived from or intended for terrorist financing and other serious crime. The authority comes from the 1992 law governing money laundering from drug trafficking and the 2005 laws governing terrorism, money laundering, and terrorist financing, and the newly passed 2009 anti-terrorism legislation. However, these laws have not been fully implemented. The Ministry of Interior is responsible for tracing, seizing, and freezing assets. Frozen assets are confiscated by the Ministry of the Interior.

¶19. To post's knowledge, the current investigation into Central Bank corruption was the first time the banking community has ever been asked by the GIRM to cooperate with enforcement efforts to trace funds and seize/freeze bank accounts. However, it should be noted this was purely an investigation into financial money laundering with not charges of terrorist or narcotic financing. The GIRM's enforcement of existing asset seizure and forfeiture laws has been limited primarily to cash or vehicles directly involved in drug trafficking. Post does not believe that the GIRM has seized other assets related to money laundering or drug trafficking. The GIRM likely does not have adequate police powers and resources to trace, seize and freeze assets. The Government does not have an independent national system and mechanism for freezing terrorist assets.

¶20. In 2009, there were two cases of drug trafficking arrests in Mauritania. A French citizen was arrested in May 2009 in Senegal, and then extradited to Mauritania. In November 2009, a Mauritanian

trafficker of drugs was arrested in Senegal, where he had taken refuge, then extradited to Mauritania to be judged. He is accused of trafficking in drugs, but his case has not yet been prosecuted.

¶21. The Government of Mauritania criminalized the financing of terrorism as required by United Nations Security Council Resolution ¶1373. On July 27, 2005, it adopted law 2005-47 criminalizing terrorism and law 2005-48 criminalizing money laundering and terrorist financing. It was supplemented by a new law adopted by the new government elected in 2009 (2009/058). To post's knowledge, the GIRM has not circulated to its financial institutions the list of individuals and entities that have been included on the UN 1267 sanctions committee's consolidated list as being linked to Usama bin Laden, members of the al Qaeda organization or the Taliban. To post's knowledge, the GIRM does not circulate the list of terrorist organizations/financiers that the USG or the EU have designated under relevant authorities.

¶22. The GIRM acknowledges the existence and use of indigenous alternative remittance systems that bypass financial institutions. The GIRM has attempted to take steps to reduce the disparity between the official exchange rate and the parallel exchange rate to make black market exchanges less attractive. It has also increased patrols along its borders and in remote areas of the country to counter cross border cash smuggling. The Mauritanian economy has been weakened by the global financial crisis and political instability following the 2008 coup d'etat. As a result the amount of exchange in the black market has continued to grow. In Mauritania it remains very easy to exchange large sums of money without using the traditional banking system.

¶23. The Ministry of the Interior monitors and supervises the misuse of charitable and or non-profit entities as conduits for the financing of terrorism. In 2003, the GIRM shut down the Saudi Institute, a charitable organization linked to terrorist financing. The Central Bank is in charge of monitoring overseas financial transactions to prevent potential terrorist financing.

¶24. Cross-border transportation of currency and monetary instruments is limited to the equivalent of \$3000. The Central Bank can grant exceptions to transport larger amounts of currency across the border. Declaration forms are not used at border crossings. Cash smuggling reports are not entered into a data base.

¶25. The GIRM has not adopted laws or regulations that allow for the exchange of records with the United States on investigations and proceedings related to narcotics, all-source money laundering, terrorism and terrorist financing. The Government has demonstrated a willingness to cooperate with the United States on combating terrorist financing and related issues, but local efforts are hampered by a serious lack of resources, knowledge, and expertise in this area. Law enforcement and judicial procedures and systems for

NOUAKCHOTT 00000016 004 OF 004

identifying and freezing assets related to illegal activity are, at best, still in their initial phases. Although no significant legal loopholes exist to allow traffickers or terrorist financiers to shield assets, such loopholes are not really necessary given the very weak enforcement of current money laundering laws.

¶26. Mauritania is a party to the UN International Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. It signed three anti-narcotic international conventions: The Convention on Narcotics in 1961, The Convention on Psychotropic Substances in 1971 and The Convention on the Illicit Traffic of Narcotics and Psychotropic Substances signed in Vienna in 1988 and ratified by Mauritania in 1993. Mauritania has also signed the UN Convention Against Transnational Organized Crime (Palermo Convention), the UN Convention Against Corruption, the International Convention for the Suppression of the Financing of Terrorism, and the Organization of African Unity Convention on the Prevention and Combating of Terrorism of July 1999. It is a party to the UN International Convention for the Suppression of the Financing of Terrorism. Mauritania is a member of MENA-FATF (Middle East and North Africa Financial Action Task Force).

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